

Message Text

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ACTION AID-59

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INFO AMEMBASSY MANILA

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E.O. 11652: N/A

TAGS: AORG, UNDP, EAID, EFIN, CE

SUBJ: SRI LANKA FERTILIZER PLANT

REF: MANILA 2265

1. DRAFT UNDP REPORT OF 17TH GC USUN HAS OBTAINED "INFORMALLY" INDICATES AND ASSISTANT ADMINISTRATOR FOR ASIA COOMARASWAMY CONFIRMED TO MISOFF 27 FEBRUARY THAT GC DID NOT APPROVE SRI LANKA FERTILIZER PLANT PROJECT OR FOR THAT MATTER EVEN DISCUSS PROJECT PER SE PER COOMARASWAMY SUBJECT PROJECT PROPOSAL HAS NOT YET EVEN BEEN DRAFTED OR IF ANYONE HAS DRAFTED IT THEY HAVE YET TO SUBMIT IT TO UNDP.

2. FYI. PER UNDP DRAFT REPORT PARAS 18, 21, 26, 36 AND 38: A) UNDP PREPARED BRIEF PAPER (DP/39) REQUESTING "VIEWS OF GC ON THE ELIGIBILITY OF A CERTAIN TYPE OF PROJECT FOR UNDP SUPPORT."

B) ADMINISTRATOR OF UNDP EXPLAINED GUIDANCE GC BEING SOUGHT ON GENERAL PRINCIPLE UNDP SUPPORT FOR MANAGEMENT CONTRACT IN CONNECTION WITH THE CONSTRUCTION OF A PLANT WHERE THE CAPITAL REQUIRED FOR ITS CONSTRUCTION WOULD BE PROVIDED BY MULTILATERAL AND BILATERAL
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FINANCIAL SOURCES. IN THE ADMINISTRATION'S VIEW,

SUCH PROJECT ELIGIBLE PROVIDED IT WERE FINANCED UNDER THE IPF OF THE COUNTRY CONCERNED. SIMILAR PROJECTS HAD BEEN APPROVED IN THE PAST, BUT IN VIEW OF THE MAGNITUDE OF THE SUM INVOLVED, IT WAS FELT DESIRABLE TO OBTAIN COUNCIL'S GUIDANCE, IT BEING UNDERSTOOD THAT SUCH ACTION IN NO WAY OBTIATED NEED CAREFUL APPRAISAL PROJECT IN QUESTION TO ENSURE THAT IT WAS ACCEPTABLE IN ALL OTHER RESPECTS.

C) ON PRINCIPLE INVOLVED UNDP'S FINANCING MANAGEMENT CONTRACT FOR A PLANT (DP/39), MOST SPEAKERS EXPRESSED VIEW THIS WAS FULLY WITHIN UNDP'S MANDATE. HOWEVER, ONE SPEAKER POINTED OUT ONCE UNDP EMBARKED UPON SUPPORT OF SPECIFIC PROJECT OF THIS TYPE, IT MIGHT WELL FIND ITSELF IN SITUATION WHERE CONTINUING SUPPORT WAS NEEDED, AND FROM WHICH IT MIGHT BE DIFFICULT EXTRICATE ITSELF. FURTHERMORE, SUCH MANAGEMENT CONTRACTS WERE FREQUENTLY PART OF LOAN PACKAGES FROM INTERNATIONAL LENDING AGENCIES, AND THESE INSTITUTIONS SHOULD BE LOOKED TO IN FIRST INSTANCES AS SOURCE SUCH ASSISTANCE. ANOTHER SPEAKER, (NOTE: NAMELY THE USG) EXPRESSING HIS DELEGATION'S VIEW PROPOSAL IN DP/39 REPRESENTED A DEPARTURE FROM TRADITIONAL UNDP ACTIVITIES, RAISED QUESTION AS TO RESPECTIVE ROLES UNDP AND MULTILATERAL BANKS IN FINANCING DEVELOPMENT ASSISTANCE AND REQUESTED MORE TIME STUDY MATTER.

D) IN RESPONSE DEPUTY ADMINISTRATOR PATEL SAID ADMINISTRATION WOULD CERTAINLY BEAR IN MIND THE COMMENT ABOUT THE DANGER OF INVOLVING UNDP IN A LONG-RANGE COMMITMENT, AND WOULD ALSO ENSURE RELEVANT LEADING AGENCIES HAD FIRST BEEN CANVASSED AS SOURCE FINANCING FOR SUCH CONTRACTS. HOWEVER, HE POINTED OUT AMOUNT OF GRANT ASSISTANCE FOR A GIVEN COUNTRY AS DEFINED BY ITS IPF WAS STRICTLY LIMITED, AND IF A COUNTRY CHOSE TO USE ITS GRANT MONEY FOR SUCH A PURPOSE, IT COULD BE PRESUMED THAT IT MUST HAVE VALID REASONS FOR DOING SO. HE HOPED THAT THE MEMBER WHO HAD ASKED FOR MORE TIME TO CONSIDER THE MATTER WOULD NOT INSIST UPON HIS POSITION, SINCE THE MATTER WAS OF SOME URGENCY. IN HIS VIEW, UNDP ASSISTANCE, SO LONG AS IT IS COVERED WITHIN A LIMITED OFFICIAL USE

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COUNTRY'S IPF, SHOULD BE SUBJECT ONLY TO THREE MAIN CONSTRAINTS: IT MUST NOT BE GIVEN FOR PURPOSES WHICH DID NOT CONTRIBUTE TO DEVELOPMENT, OR WHICH CONTRIBUTED INEFFICIENTLY AND WASTEFULLY, OR FOR WHICH ALTERNATIVE LEGITIMATE SOURCES OF FINANCING WERE READILY AVAILABLE.

E) DECISION OF THE GC: AT ITS 400TH MEETING, "GC TOOK NOTE OF THE VIEWS EXPRESSED BY MEMBERS CONCERNING DOCUMENT DP/39."

3. USUN PREFERES IT NOT BE KNOWN OUTSIDE USG IT HAS
ADVANCED DRAFT COPY OF UNDP 17TH GC REPORT.

4. IT SHOULD ALSO BE REMEMBERED THAT IN ITS LAST IN-
INTERVENTION ON THIS SUBJECT THE U.S. DELEGATE (AMBASSADOR
FERGUSON) SAID U.S. APPREHENSIVE IF UNDP PARAMETERS
ARE EXPANDED TO INCLUDE LARGE MANAGERIAL CONTRACTS, AS
THE TECHNICAL ASSISTANCE ROLE OF UNDP WILL BECOME
BLURRED, AND DIFFICULTIES WILL ARISE IN EXPLAINING
PUBLICLY WHAT UNDP'S MISSION IS. HE URGED THE ADMINISTRA-
TOR TO DEFINE CLEARLY, IN HIS 1974 ANNUAL REPORT, THE
LIMITS FOR UNDP FINANCING IN SUCH A WAY AS NOT TO CONFUSE
FURTHER THE RESPECTIVE ROLES OF THE BANKS AND UNDP. IN
A WORD UNDP IS WELL AWARE OF USG MAJOR PROBLEMS RE THIS
PROJECT AND IS UNLIKELY ATTEMPT APPROVE IT WITHOUT FIRST
HAVING ADDITIONAL DISCUSSIONS WITH US.
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